



Arnold Schwarzenegger
Governor

September 23, 2010
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Ms. Sherry Rednour, Director of Training
San Diego Imperial Counties Labor Council
4305 University Avenue, Suite 340
San Diego, CA 92105

Dear Ms. Rednour:

WORKFORCE INVESTMENT ACT
15-PERCENT PROJECT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the San Diego Imperial Counties Labor Council's (SDICLC) administration of its Workforce Investment Act (WIA) California Gang Reduction, Intervention, and Prevention (CalGRIP) Project, Subgrant Number R973797. This review was conducted by Mr. Tom Liu and Mr. Gregory Ramsey from June 21, 2010 through June 25, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b)(1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by SDICLC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management, and procurement.

We collected the information for this report through interviews with SDICLC representatives and WIA participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the WIA CalGRIP Project; a review of SDICLC's response to Sections I and II of the Program On-Site Monitoring

Guide; applicable policies and procedures; and a review of documentation retained by SDICLC for a sample of expenditures and procurements.

We received your response to our draft report on August 30, 2010, and reviewed your comments and documentation before finalizing this report. Because your responses adequately addressed findings 3 and 5 cited in the draft report, no further corrective action is required and we consider the issues resolved. Your responses adequately addressed findings 1, 2, 4, and 6; however, these issues will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 10149, 10150, 10152, and 10154, respectively.

BACKGROUND

The SDICLC was awarded \$500,000 to operate a WIA CalGRIP Project and serve 70 WIA participants from February 1, 2009 through March 31, 2011. For the period ending May 31, 2010, SDICLC reported that it spent \$398,489.06 and enrolled 74 participants. We reviewed case files for 40 of the 74 participants enrolled in the WIA project as of June 23, 2010.

PROGRAM REVIEW RESULTS

While we concluded that, overall, SDICLC is meeting applicable WIA requirements concerning grant program administration, we noted instances of noncompliance in the following areas: general policies and procedures, reporting of participant activity, Job Training Automation (JTA) participant reporting, and intensive services. The findings that we identified in these areas, our recommendations, and SDICLC's proposed resolution of the findings are specified below.

FINDING 1

Requirement:

20 CFR Section 667.2009(c)(2) states, in part, that all recipients and subrecipients must follow the Federal allowable cost principles that apply to their kind of organizations. Allowable costs for non-profit organizations must be determined under Office of Management and Budget (OMB) Circular A-122, "Cost Principles for Non-Profit Organizations."

OMB Circular A-122, Appendix A, Section A(2)(d) states, in part, that to be allowable under an award, costs must be accorded consistent treatment.

The SDICLC's internal Stipend Policy for the Gang Reduction Education and Training (GREAT) Project states, in part, that students shall receive a monetary incentive at the following benchmarks throughout their training under the GREAT Project, not to exceed \$1,000 per eligible client:

- \$300 at successful completion of first 3 weeks in class with no more than 1 excused absence. There will be a \$25 deduction each time the student is tardy or leaves early, and there will a \$50 deduction for every unexcused absence;
- \$300 at successful graduation of training program with no more than 2 excused absences overall. There will be a \$25 deduction each time the student is tardy or leaves early, and there will a \$50 deduction for every unexcused absence;
- \$200 upon placement with employer partner; and
- \$200 at successful completion of 30-day retention with said employer.

Observation:

We reviewed 40 participant case files and observed that 33 participants received stipend payments. We observed that 29 of the 33 participants received the full amount of the stipend payments based on the achievement of a benchmark as indicated above; however, we observed that 4 of the 33 participants did not receive the full amount of stipend payments for a similar achievement. The records show that supportive services (bus passes) were deducted from the stipend payments. Although SDICLC staff stated that the participants were made aware beforehand that the supportive services would be deducted from their stipend payments, it would appear that the stipend payments were not accorded consistent treatment. Furthermore, this practice is not disclosed in its Stipend Policy.

Recommendation:

We recommended that SDICLC review all of its participant case files and ensure that all participants achieving the benchmarks listed above are issued the corresponding stipend payments. All those in need of bus passes, or other supportive services, should not have the cost of these services deducted from stipends that are earned from participation in the program. In addition, we recommended that SDICLC provide the Compliance Review Office (CRO) with a corrective action plan (CAP) indicating how they will ensure that, in the future, participants will be issued the

appropriate stipend payments as indicated above and that the above 4 participants have been paid the full amount of the stipend earned for achieving specific benchmarks.

SDICLC Response:

The SDICLC stated they have reviewed the files of students who received stipends and found that only the four students identified in the review had supportive service costs deducted from their stipends. The SDICLC included copies of letters mailed to the four participants notifying them of the additional stipend money owed to them and requesting up-to-date contact information. Also included were copies of checks dated August 26, 2010 made out to the two participants who have responded back to the letter. The remaining two participants have yet to respond. The SDICLC also stated that the Director will be responsible for approving stipend requests and for ensuring that participants who are eligible for a stipend will earn the entire amount according to the stated benchmarks in their policy.

State Conclusion:

The SDICLC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, SDICLC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10149.

FINDING 2**Requirement:**

WIA Section 185 (c)(2) states, in part, that each recipient receiving funds shall maintain comparable management information systems (MIS); designed to facilitate the uniform compilation and analysis of programmatic, participant and financial data necessary for monitoring and evaluating purposes.

WIA Section 185 (d)(1)(B) states, in part, that information to be included in reports shall include information regarding the programs and activities in which participants are enrolled, and the length of time that participants are engaged in such programs and activities.

The Department of Labor, Training and Employment Guidance Letter, (TEGL) 17-05 (6)(B)(3) states, in part, that once a participant has not received any services funded by the program for 90 consecutive calendar days, has no gap in

service, and is not scheduled for future services, the date of exit is applied retroactively to the last day on which the individual received a service funded by the program.

Observation: In 7 of the 40 participant case files reviewed, we noted that there was no indication of WIA service or partner service provided to the participants for periods of 90 days or longer.

Recommendation: We recommended that SDICLC exit the participants who are no longer receiving WIA services and provide documentation to CRO. In addition, we recommended that SDICLC provide CRO with a CAP indicating how it will ensure that, in the future, participants do not exceed 90 days without receiving any WIA service.

SDICLC Response: The SDICLC stated participants who have not received services within 90 days have been exited and provided a copy of the Workforce Investment Act Status Roster printed on August 17, 2010 as documentation of the exits. The SDICLC also stated that effective immediately, the Senior Case Manager will inform the Director of participants who have passed the 90 day cut-off. At that time, the participants will be exited unless there are documented extenuating circumstances.

State Conclusion: The SDICLC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, SDICLC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10150.

FINDING 3

Requirement: WIA Section 185 (c)(2) states, in part, that each recipient receiving funds shall maintain comparable management information systems (MIS), designed to facilitate the uniform compilation and analysis of programmatic, participant and financial data necessary for monitoring and evaluating purposes.

WIA Section 185 (d)(1)(B) states, in part, that information to be included in reports shall include information regarding the

programs and activities in which participants are enrolled, and the length of time that participants are engaged in such programs and activities.

The WIA Client Forms Handbook provides instructions for the completion of various documents and forms used by subgrantees to collect and report participant information, as well as track this information in the JTA system. Specifically, Chapter Three of the handbook describes the purpose and the line item instructions for completion of the enrollment form. Also, the WIA Client Forms Handbook describes types of WIA training.

Observation:

We reviewed 40 participant case files and compared the services recorded in the case files with the services recorded on the WIA enrollment forms. We noted that one of the participants received On-The-Job Training, but was not enrolled in code 55 for On-The-Job Training; instead, the participant was enrolled in code 53 for Job Readiness under Training Services on the WIA enrollment form. A similar finding for JTA participant reporting was issued in PY 2008-09.

Recommendation:

We recommended that SDICLC review its active participant case files to determine the actual activities these participants are enrolled in and provide CRO with documentation to support the enrollment into these activities. In addition, we recommended that SDICLC provide CRO with a CAP indicating how they will ensure that, in the future, participant activity codes are reported accurately.

SDICLC Response:

The SDICLC stated the status roster has been reviewed with program staff to ensure all services and activities are accounted for and has provided CRO with a copy of the Workforce Investment Act Status Roster printed on August 24, 2010. The SDICLC also stated that program staff has been retrained on the importance of recording all activity codes and to be aware that infrequent services are the ones most often overlooked. A periodic review of activity codes in participant files and data entered into the JTA system is now part of the case management review meeting held on a monthly basis.

State Conclusion:

We consider this finding resolved.

FINDING 4

Requirement:

20 CFR Section 663.105 states, in part, that adults and dislocated workers who receive services funded under Title I other than self-service or informational activities must be registered and determined eligible.

WIA Directive WIAD04-18 states, in part, that all adults who receive services funded under Title 1-B of WIA must be determined eligible and registered.

Observation:

We found that 8 of 40 participants were provided an intensive service prior to being determined eligible and being registered in the WIA program. Specifically, the Individual Employment Plan (IEP) for seven participants and comprehensive assessment for one participant were completed prior to registration. The IEPs were completed 2 to 18 days prior to registration and the comprehensive assessment was completed one day prior to registration. A similar finding for providing intensive services prior to being determined eligible and being registered in the WIA program was issued in PY 2008-09.

Recommendation:

We recommended that SDICLC provide to CRO a CAP indicating how it will ensure that, in the future, participants are not provided WIA services without first being determined eligible and being registered in the WIA program.

SDICLC Response:

The SDICLC stated after the review of 2008-09, program staff were retrained and a process developed to ensure intensive services, specifically the IEP, would only be delivered after a participant was certified eligible and enrolled. The SDICLC also stated it was determined that all 8 participants identified above received services from the same case manager. The case manager has been counseled and will be more closely supervised to ensure compliance.

State Conclusion:

The SDICLC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, SDICLC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10152.

FINANCIAL MANAGEMENT REVIEW RESULTS

While we concluded that, overall, SDICLC is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of cost allocation. The finding that we identified in this area, our recommendation, and SDICLC's proposed resolution of the finding is specified below.

FINDING 5

Requirement: 29 CFR Section 95.21(b)(1) states, in part, that financial management systems shall provide accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program.

OMB Circular A-122, Attachment A, Section (A)(2)(a) states, in part, that for a cost to be allowable it must be reasonable for the performance of the award and be allocable.

OMB Circular A-122, Attachment A, Section (A)(4)(a) states, in part, a cost is allocable to a particular cost objective in accordance with the relative benefits received.

Observation: We observed that SDICLC did not properly allocate an expense payment based on the relative benefits received. Specifically, SDICLC received an invoice from its training provider for a 3-day training (8 hours per day) in the amount of \$750, which is the contracted rate per class session (approximately 21 hours), and charged \$625 to the 15-Percent CalGRIP project and \$125 to a 15-Percent Vet Life Project; however, a review of the sign-in sheet for the training session indicated that only 3 of the 6 attendees were enrolled in the CalGRIP Project.

Recommendation: We recommended that SDICLC provide to CRO documentation to reallocate the above expense payment based on the relative benefits received.

SDICLC Response: The SDICLC stated the expense in question has been re-allocated and provided a revised Payment Request & Authorization Form dated August 19, 2010 showing \$375 being charged to the 15-Percent CalGRIP Project, \$125 being charged to the 15-Percent Vet Life Project, and \$250 being charged to Training Non-Grant.

State Conclusion: Based on our review of the revised Payment Request & Authorization Form submitted by SDICLC, we consider this finding resolved.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, SDICLC is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of cost or price analysis. The finding that we identified in this area, our recommendation, and SDICLC's proposed resolution of the finding is specified below.

FINDING 6

Requirement: 29 CFR Section 95.45 states, in part, that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.

The SDICLC's internal procurement policy states, in part, that certain suppliers will be used as the primary source for the purchase of computers, computer accessories, training materials and other office resources. However in all instances, alternative costs will be obtained and the rationale for using the existing source versus the alternatives will be documented and included with the purchase order.

Observation: We observed that SDICLC did not properly document that they performed a cost or price analysis on the following four small purchase transactions:

- o A table and four chairs in the amount of \$325.16;
- o Office supplies, printer cartridges, and copy paper in the amount of \$933.17;
- o Welding supplies for training in the amount of \$8,031.70;
- o Calculators and compasses for classroom training in the amount of \$376.05.

Recommendation: We recommended that SDICLC forward to CRO a CAP indicating how it will ensure that future procurement transactions will include documentation to show that a cost or price analysis was performed prior to the procurement action.

SDICLC Response:

The SDICLC stated effective immediately the Program Specialist will attach a cost or price analysis to the purchase order which must be approved by the Director. The SDICLC also stated that purchase orders will not be approved without the cost or price analysis.

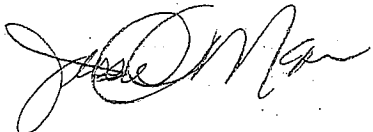
State Conclusion:

The SDICLC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, SDICLC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10154.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is SDICLC's responsibility to ensure that its systems, programs, and related activities comply with the WIA, related federal regulations, and applicable state directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain SDICLC's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Mickey Kasparian, President
Georganne Pintar, MIC 50
Elizabeth Thomsen, MIC 50